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IHC Holland

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IHC Holland

In 1965 IHC-Holland had a good thing going. Then they fooled with it.

Now they have a better thing going.

What IHC had was a loosely organized group of six shipbuilders—who frequently cooperated to build dredgers—that had a net profit of more than F 3.7 million (Dutch guilders—\$1 million).

Now they have a successfully merged company—one of the world's leading constructors of dredging materials—with a net profit increase of more than 70 percent in five years.

What made the directors of IHC-Holland tamper with a proven organization? They realized that, although they

were growing and making profits in 1965, they might not continue to do so.

A number of countries had recently stepped up their subsidies on imports. There was a wage explosion in Holland, forcing wages up some 15 percent in one year alone.

And IHC directors wanted to concentrate their efforts in an area that they knew would continue to be a money maker; shipbuilding was not one of them. They decided instead to concentrate in the area that had brought them together—construction of dredgers and dredging materials—and to expand their then-fledgling offshore drilling operation.

The six had come together reluctantly during the last days of World War II when they were small, separate shipyards.

The Billiton Company—a tin-mining company of Indonesia—required six dredgers to be ready at the end of the war if it were to resume its interrupted tin-mining in the Dutch East Indies. Realizing that each of the six shipyards had a special ability, Billiton asked them to work together in building the dredgers.

The yards were reluctant. Each had a long history of ship and dredger building—the oldest to 1687; the youngest to 1916—and each felt equipped to handle the project alone. Billiton would have it only on its terms, so the six yards became partners.

In 1946 the first of the six dredgers was shipped to Billiton, and the partners had to admit it had not been so bad. Then, the order was quickly followed by others to be built by the group, and the prospects began to look favorable for the partnership. The partners decided to form a loose organization.

Each company retained its own shipyard, and each company was allotted one sixth of the globe in which to sell the dredgers. Every Monday morning the directors of what had by that time come to be called IHC-Holland (Industriële Handelscombinatie Holland for International Trade Company-Holland) met to apportion the work and the profits.

The yards remained independent in that they continued to solicit other-than-dredger business on their own and continued to construct refrigerating vessels, ferries, freighters and other special-purpose vessels as they had before their joint venture began. At that time their dredger business was not large enough to keep them all afloat, and no one wanted to rely solely on one product.

The system worked well. But the six partners found one shortcoming: each of the companies was too small to support any significant research and development effort. They were all operating as they had for centuries on the principle, "Let's try it and see if it will work."

The companies realized this had to end, and so joined in setting up the Mineral Technological Institute at Delft (now MTI-Delft) to conduct original research into new designs for all aspects of dredging components and to investigate problems related to the dredging industry.

Combining the research and innovations of MTI and the centuries of craftsmanship of the six yards, IHC flourished during the 1950s and early 1960s. But early in the sixties, conditions prompted discussion of a



Last year IHC-Holland was chosen for the Henri Sijthoff prize, awarded by the Netherlands' largest financial daily, Het Financieele Dagblad, for being an open company.

The award cites the 1968 IHC annual report for being "outstanding in terms of presentation . . . The salient feature of the report," the award said, "is the balance maintained between the separate parts. The inclusion of an organizational plan simplified the interpretation of the contents.

"The precise description of the manner in which the gross operating surplus is calculated—a feature of major importance in regard to a concern operating in the capital goods sector—merits separate mention. This and many other details make this an exceptional report. . . ."

Award of the Sijthoff prize also recognizes the company as one that has dealt openly and fairly with the financial press.

IHC director of publicity H. J. Jansen has said that his managing director has set him a rule: "Never say 'No comment.'"

"Make a positive statement if you can; negative if you must . . . but try to be open."

This policy is adhered to in the IHC report—as is its belief that the company owes its investors all the information they desire.

more formal arrangement—some kind of merger. By 1965 they were certain that a merger would be to everyone's advantage, and five of the six groups joined in the holding company that continued the name IHC-Holland. Now officially one and on its way to becoming the true public company it later became, IHC's 17-man management committee took some serious thought for the future.

The top men had had generations of experience managing a company. True. But, the directors realized, those had been small companies. Now they were dealing with something different. Each man was working with a company some six times larger. The directors knew that if they were to make this merger work, something would have to change.

So IHC asked its Dutch audit firm at that time to suggest someone to give it American-style consulting advice. The auditors suggested Touche Ross.

After their initial studies, the Touche Ross consultants advised the management committee to send its executives for retraining in management techniques and to abandon its centralized organization and set up divisions.

IHC agreed on both counts and sent its managers off for training at European marketing and management seminars and gave them time to attend in-house seminars conducted by American college professors suggested by the consultants. But this first dose of education was not to be the last. It is still very much IHC policy to keep its management up to date by regular attendance at seminars and exposure to the methods of other companies and other countries.

The new company also divided itself into three parts: dredger division, offshore drilling division, mining and transport division—gradually abandoning production of any other type of floating equipment.

The IHC management elected to turn from shipbuilding with its narrow profit margins to construction of dredgers and dredger components and offshore drilling equipment because it views these as industries of the future.

The management realized that as ships grow larger they will require deeper harbors; more and more dredgers will be called into action to do the work. The world's developing nations—now about half of the dredger division's market—are beginning to create or enlarge their harbors. Inland dredging will be on the rise as more land is needed to accommodate the booming world population.

And, IHC directors know from experience, when they cannot sell the whole dredger, they can usually sell most of the parts to the successful bidder. In 1969 IHC supplied at least some part of each of the 13 major dredgers under construction in the world.

Although IHC's offshore division is newer and smaller, it is moving quickly. It has already won a contract for an \$11 million drill ship. The first such contract to be awarded a European yard, the ship will be the most up-to-date mobile drilling unit in the world.

Turning the contract for the ship over to a French-based offshore contractor, SOMASER, is an example of the way IHC has done business. The company had anticipated the demand for offshore drilling rigs capable of operating in deep water and being shifted rapidly and had begun design studies for such a ship in 1967. These far-reaching investigations, backed by model tests and computer calculations, resulted in a design which corresponded in all major respects to SOMASER's requirements.

IHC has also planted its jack-up rigs, self-elevating platforms, single-buoy mooring systems in oceans and major rivers around the world.

The Mining and Transport Division is IHC's smallest and has been producing tin dredgers from yards in Holland and Australia.

IHC still operates primarily out of seven yards in Holland, the facilities of the original partners, with headquarters in a Rotterdam skyscraper. Occasionally, it builds dredgers through a subsidiary in Sydney, Australia, and has an arrangement with Kawasaki Heavy Industries of Japan for construction of offshore rigs for Eastern countries. Whenever IHC equipment is built outside its yards, IHC parts are shipped and, if necessary, shipped with IHC technicians to insure top-quality work.

As widespread as its operation is, IHC is working closely with the Touche Ross consultants in Holland to implement the reorganization by streamlining its operations and to plan for its future.

The consultants helped IHC management to set out action plans for each division head and for each of the firm's 15 directors. The plans were drawn up to alleviate each man's most pressing problem.

The company is carrying out a marketing study, set up by the consultants, which keeps it constantly informed of the world markets for its products.

IHC's controller is working with the consultants to strengthen the office's financial reorganization and

training and recruiting men to be internal financial analysts, and the long-range planning director is setting up plans and a planning department.

Some young ideas for a company with roots deeply planted in the old world—whose main dredger yard is over 200 years old and has the local opera hall built in feudal times still standing.

And its workers—many grew up in the ship and dredger yards—have generations of experience kept up to date with the newest innovations by MTI-Delft.

A most perfect combination.